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UNITED STATES  
FINANCIAL  
AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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# ANNUAL AUDITED REPORT FORM X-17A-5 PART III

SEC FILE NUMBER
8-51609

FACING PAGE

## Information Required of Brokers and Dealers Pursuant to Section 17 of the Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING 01/01/2007 AND ENDING 12/31/2007  
MM/DD/YY MM/DD/YY

### A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Viking Fund Distributors, LLC

OFFICIAL USE ONLY

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

FIRM I.D. NO.

116 1st St SW Suite C

(No. and Street)

Minot

(City)

ND

(State)

58701

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Shannon D. Radke701-852-1264

(Area Code - Telephone Number)

### B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

Brady, Martz, and Associates, P.C.

(Name - if individual, state last, first, middle name)

207 East Broadway Ave

(Address)

Bismarck

(City)

SEC  
Mail Processing  
Section  
(State)58501

(Zip Code)

CHECK ONE:

☒ Certified Public Accountant☐ Public Accountant☐ Accountant not resident in United States or any of its possessions.

FEB 28 2008

Washington, DC  
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PROCESSED

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THOMSON  
FINANCIAL

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\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

SEC 1410 (06-02)

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## OATH OR AFFIRMATION

I, Shannon D. Radke, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Viking Fund Distributors, LLC, as of December 31, 2007, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

\_\_\_\_\_

\_\_\_\_\_

**MICHAEL A. BAKK**  
Notary Public, State of North Dakota  
My Commission Expires July 10, 2008

Shannon D. Radke  
Signature  
President  
Title

Michael A. Bakk  
Notary Public

This report \*\* contains (check all applicable boxes):

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☐ (d) Statement of Changes in Financial Condition.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital.
- ☐ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☐ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☒ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

**VIKING FUND DISTRIBUTORS, LLC**

(A WHOLLY-OWNED SUBSIDIARY OF VIKING FUND MANAGEMENT, LLC)

**FINANCIAL STATEMENTS**

**AS OF**

**DECEMBER 31, 2007 AND 2006**

**WITH**

**INDEPENDENT AUDITORS' REPORT**

**VIKING FUND DISTRIBUTORS, LLC**  
(A WHOLLY-OWNED SUBSIDIARY OF VIKING FUND MANAGEMENT, LLC)

**TABLE OF CONTENTS**

	<u>Pages</u>
INDEPENDENT AUDITOR'S REPORT .....	1
 <b>FINANCIAL STATEMENTS</b>	
Balance Sheets .....	2
Statements of Operations .....	3
Statements of Members Equity .....	4
Statements of Cash Flows .....	5
Notes to Financial Statements .....	6-8
 <b>SUPPLEMENTARY INFORMATION</b>	
Schedule I - Computation of Net Capital Under Rule 15c3-1 of the Securities Exchange Act of 1934 .....	9
 Claim of Exemption From Rule 15c3-3 .....	 10
Independent Auditor's Report On Internal Control Structure Required By Rule 17a-5 for a Broker - Dealer Claiming an Exemption from Rule 15c3-3 .....	11-12



CERTIFIED PUBLIC ACCOUNTANTS  
AND CONSULTANTS

## INDEPENDENT AUDITOR'S REPORT

To the Board of Governors  
Viking Fund Distributors, LLC  
Minot, North Dakota 58701

We have audited the accompanying balance sheets of Viking Fund Distributors, LLC (a wholly-owned subsidiary of Viking Fund Management, LLC) as of December 31, 2007 and 2006 and the related statements of operations, members' equity and cash flows for the years then ended, that you are filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Viking Fund Distributors, LLC as of December 31, 2007 and 2006 and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained on Schedule I is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by Rule 17a-5 of the Securities and Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Brady, Martz*

BRADY, MARTZ & ASSOCIATES, P.C.  
February 26, 2008

**VIKING FUND DISTRIBUTORS, LLC**  
(A WHOLLY-OWNED SUBSIDIARY OF VIKING FUND MANAGEMENT, LLC)

BALANCE SHEETS  
AS OF DECEMBER 31, 2007 AND 2006

**ASSETS**

	2007	2006
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$60,622	\$26,146
Accounts/commissions receivable	3,196	2,972
Other assets	616	616
Total current assets	<u>64,434</u>	<u>29,734</u>
<b>FIXED ASSETS</b>		
Office equipment	4,338	4,338
Less accumulated depreciation	<u>(4,338)</u>	<u>(4,338)</u>
Net fixed assets	<u>0</u>	<u>0</u>
DEFERRED SALES COMMISSIONS (net of accumulated amortization of \$28,810 and \$23,173, respectively)	5,900	9,004
<b>TOTAL ASSETS</b>	<u>\$70,334</u>	<u>\$38,738</u>

**LIABILITIES AND MEMBERS' EQUITY**

<b>CURRENT LIABILITIES</b>		
Distribution fees payable	\$12,119	\$6
Accounts/commissions payable	6,986	233
Payroll taxes payable	0	53
Total current liabilities	<u>19,105</u>	<u>292</u>
<b>MEMBERS' EQUITY</b>	<u>51,229</u>	<u>38,446</u>
<b>TOTAL LIABILITIES AND MEMBERS' EQUITY</b>	<u>\$70,334</u>	<u>\$38,738</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

**VIKING FUND DISTRIBUTORS, LLC**  
(A WHOLLY-OWNED SUBSIDIARY OF VIKING FUND MANAGEMENT, LLC)

STATEMENTS OF OPERATIONS  
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
<b>REVENUES</b>		
Commission income	\$ 13,503	\$ 5,156
Underwriting income	17,760	17,571
Distribution Income	40,602	20,583
Interest and dividend income	2,006	1,965
Other Income	0	1,853
<b>Total Revenues</b>	<u>73,871</u>	<u>47,128</u>
<b>OPERATING EXPENSES</b>		
Commissions and fees	10,579	3,545
Distribution fees	53,604	49,217
Professional fees	4,215	3,600
Advertising and promotion	479	516
Printing and postage	2,956	3,514
Wholesaler fees	8,997	2,068
Dues and registration	1,451	3,879
Salaries	6,000	5,880
Payroll taxes	0	522
Travel	5,297	2,769
Depreciation/Amortization	5,636	6,329
Insurance	924	925
Office supplies	48	0
Telephone	1,200	1,200
Other expenses	272	1,054
<b>Total Operating Expenses</b>	<u>101,658</u>	<u>85,018</u>
<b>INCOME (LOSS) FROM OPERATIONS</b>	(27,787)	(37,890)
<b>OTHER INCOME (EXPENSES)</b>		
NASD member payment	35,000	0
Refunded underwriting fees	(4,430)	0
<b>NET INCOME (LOSS)</b>	<u>\$2,783</u>	<u>\$(37,890)</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

**VIKING FUND DISTRIBUTORS, LLC**  
(A WHOLLY-OWNED SUBSIDIARY OF VIKING FUND MANAGEMENT, LLC)

**STATEMENTS OF MEMBERS' EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

	<u>Members' Equity</u>
BALANCE, JANUARY 1, 2006	\$52,492
Capital contributed	23,844
Net loss – 2006	<u>(37,890)</u>
BALANCE, DECEMBER 31, 2006	\$38,446
Capital contributed	10,000
Net income – 2007	<u>2,783</u>
BALANCE, DECEMBER 31, 2007	<u>\$51,229</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS



**VIKING FUND DISTRIBUTORS, LLC**  
(A WHOLLY-OWNED SUBSIDIARY OF VIKING FUND MANAGEMENT, LLC)

**STATEMENTS OF CASH FLOWS**  
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income (loss)	\$ 2,783	\$ (37,890)
Adjustments needed to reconcile net income (loss) to net cash provided (used) by operating activities:		
Depreciation/Amortization	5,636	6,329
Effects on operating cash flows due to changes in:		
Accounts/commissions receivable	(224)	3,036
Deferred sales commissions	(2,532)	865
Other assets	0	5,376
Accrued liabilities and trade payables	18,813	(34,454)
Net cash provided (used) by operating activities	<u>24,476</u>	<u>(56,738)</u>
<b>CASH FLOWS PROVIDED BY FINANCING ACTIVITIES</b>		
Members' capital contributed	<u>10,000</u>	<u>23,844</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	34,476	(32,894)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<u>26,146</u>	<u>59,040</u>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<u>\$60,622</u>	<u>\$26,146</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

**VIKING FUND DISTRIBUTORS, LLC**  
(A WHOLLY-OWNED SUBSIDIARY OF VIKING FUND MANAGEMENT, LLC)  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007 AND 2006**

**NOTE 1 - NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES**

The nature of operations and significant accounting policies of Viking Fund Distributors, LLC are presented to assist in understanding the Company's financial statements.

**Nature of Operations** - The Company is a wholly-owned subsidiary of Viking Fund Management, LLC. The Company's primary business is as an underwriter and distributor for Viking Mutual Funds ("Trust"). The Trust is a Delaware business trust and consists of the Viking Tax-Free Fund for Montana, the Viking Tax-Free Fund for North Dakota, the Viking Large-Cap Value Fund and the Viking Small-Cap value fund.

**Cash and Cash Equivalents** - The Company's policy is to record all liquid investments with original maturities of three months or less as cash equivalents. Liquid investments with maturities greater than three months are recorded as investments. Cash and cash equivalents consist of money market accounts.

**Accounts/commissions receivable** - Management believes all of its receivables are collectible. The Company has not recorded an allowance for doubtful accounts. Management determines the allowance for doubtful accounts, if any, by regularly evaluating individual customer receivables and considering a customer's financial condition, credit history, and current economic conditions. The Company does not charge interest on its receivables.

**Income Taxes** - No provision for income taxes is required since the Company is organized as a Limited Liability Company. The parent company will report the entire profit or loss of the company on its tax return. As a limited liability company the members' liability is limited.

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Depreciation** - The Company's fixed assets consist entirely of office equipment. These assets are depreciated on a straight line basis over their estimated useful lives (5 years).

**Advertising** - Costs of advertising and promotion of sponsored mutual funds are expensed as incurred.

**VIKING FUND DISTRIBUTORS, LLC**  
(A WHOLLY-OWNED SUBSIDIARY OF VIKING FUND MANAGEMENT, LLC)  
NOTES TO FINANCIAL STATEMENTS – (Continued)  
DECEMBER 31, 2007 AND 2006

**NOTE 1 - (CONTINUED)**

**Deferred sales commissions** - Sales commission paid to brokers and dealers in connection with the sale of shares of the Viking Mutual Funds sold at net asset value are capitalized and amortized on a straight line basis over five years, which approximates the period of time during which deferred sales commissions are expected to be recovered from distribution plan payments received and potential contingent deferred sales charges received from shareholders of the Viking Mutual Funds. Contingent deferred sales charges received by the Company are recorded as a reduction of unamortized deferred sales commissions.

**NOTE 2 - RULE 15c3-3**

The Company operates under the provision of Paragraph (k)(1) of Rule 15c3-3 of the Securities and Exchange Commission and, accordingly, is exempt from the remaining provisions of that Rule.

**NOTE 3 - RELATED PARTY TRANSACTIONS**

As distributor for the Trust, the Company had the following related party transactions:

	2007	2006
Underwriting income	\$ 17,760	\$ 17,571
Distribution income	\$35,102	\$15,121
Commission income	\$ 9,348	\$ 2,154

As of December 31, 2007 and 2006, the Company had a payable to Viking Fund Management, LLC in the amount of \$5,617 and \$0, respectively.

**NOTE 4 - CONCENTRATIONS**

The Company's revenues are significantly impacted and the Company is economically dependent on the underwriting fees, distribution income, and commissions generated from the sale of shares in the Trust.

**VIKING FUND DISTRIBUTORS, LLC**  
(A WHOLLY-OWNED SUBSIDIARY OF VIKING FUND MANAGEMENT, LLC)  
NOTES TO FINANCIAL STATEMENTS – (Continued)  
DECEMBER 31, 2007 AND 2006

**NOTE 5 - NET CAPITAL REQUIREMENTS**

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (SEC Rule 15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1 (and the rule of the "applicable" exchange also provides that equity capital may not be withdrawn or cash dividends paid if the resulting net capital ratio would exceed 10 to 1). As of December 31, 2007, the Company had net capital of \$41,518 which was \$36,518 in excess of its minimum required capital of \$5,000. At December 31, 2006, the Company had net capital of \$25,331 which was \$20,331 in excess of its minimum required net capital of \$5,000. The Company's net capital ratio was 0.46 to 1 as of December 31, 2007 and 0.01 to 1 as of December 31, 2006.

**NOTE 6 - ADVERTISING EXPENSE**

Advertising costs are expensed as incurred. Total advertising expense was \$479 and \$516 for the years ended December 31, 2007 and 2006 respectively.

**NOTE 7 RETIREMENT PLAN**

The Company sponsors a 401(k) Plan for all its employees. This Plan is solely funded by employee elective deferrals.

**NOTE 8 NASD MEMBER PAYMENT**

In August 2007, the Company received a \$35,000 one-time, special payment as a result of the consolidation of NASD and NYSE. This payment is included in other income on the 2007 statement of operations.

**NOTE 9 REFUNDED UNDERWRITING FEES**

In October 2007, the Company was notified by a broker that the NASD required it to refund certain sales charges to its customers. As a result, the broker requested that the Company reimburse it for the underwriter portion of the sales charges. The Company reimbursed the broker \$4,430 in 2007. This expense is included in other expenses on the 2007 statement of operations.

## SUPPLEMENTARY INFORMATION

**VIKING FUND DISTRIBUTORS, LLC**  
 (A WHOLLY-OWNED SUBSIDIARY OF VIKING FUND MANAGEMENT, LLC)  
**SCHEDULE I**  
**COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1 OF**  
**THE SECURITIES AND EXCHANGE ACT OF 1934**  
**AS OF DECEMBER 31, 2007 and 2006**

	<u>2007</u>	<u>2006</u>
<b>NET CAPITAL</b>		
Total members' equity	\$ 51,229	\$ 38,446
Less non-allowable assets:		
Fixed Assets	0	0
Deferred sales commissions	(5,900)	(9,004)
Haircuts on securities	(0)	(523)
Accounts/commissions receivable	(3,195)	(2,972)
Other Assets	(616)	(616)
Net capital	<u>\$ 41,518</u>	<u>\$ 25,331</u>
<b>AGGREGATE INDEBTEDNESS</b>		
Accrued Liabilities and trade payables	<u>\$ 19,105</u>	<u>\$ 292</u>
<b>COMPUTATION OF BASIC NET CAPITAL REQUIREMENT</b>		
Minimum net capital requirements <sub>1</sub>	<u>\$ 5,000</u>	<u>\$ 5,000</u>
Excess net capital at 1500% <sub>2</sub>	<u>\$ 40,244</u>	<u>\$ 25,312</u>
Excess net capital at 1000% <sub>2</sub>	<u>\$ 39,607</u>	<u>\$ 25,302</u>
Ratio: Aggregate indebtedness to net capital	<u>0.46 to 1</u>	<u>0.01 to 1</u>
<b>RECONCILIATION WITH COMPANY'S COMPUTATION</b>		
Net capital, as reported in Company's Part II (Unaudited)		
Focus Report	\$ 41,518	\$ 25,331
Net audit adjustments/reclassifications to allowable Assets	0	(0)
Net capital per above	<u>\$ 41,518</u>	<u>\$ 25,331</u>

1. Minimum net capital requirements for the Company are the greater of 6 2/3% of aggregate indebtedness or \$5,000.
2. Excess net capital figures at 1500% and 1000% are based on calculated minimum net capital requirements of:

1500%	<u>\$ 1,274</u>	<u>\$ 19</u>
1000%	<u>\$ 1,911</u>	<u>\$ 29</u>

**VIKING FUND DISTRIBUTORS, LLC**  
(A WHOLLY-OWNED SUBSIDIARY OF VIKING FUND MANAGEMENT, LLC)  
CLAIM OF EXEMPTION FROM RULE 15c3-3  
DECEMBER 31, 2007 AND 2006

The Company operates under the provisions of paragraph (k)(1) of Rule 15c3-3 of the Securities and Exchange Commission and, accordingly, is exempt from the remaining provisions of that Rule. Therefore a schedule showing the Computation for Determination of Reserve Requirements Under Rule 15c3-3 of the Securities and Exchange Commission and the schedule of Information Relating to Possession or Control Requirements Under Rule 15c3- 3 of the Securities and Exchange Commission are not required.



CERTIFIED PUBLIC ACCOUNTANTS  
AND CONSULTANTS

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
REQUIRED BY RULE 17A-5 FOR  
A BROKER - DEALER CLAIMING AN EXEMPTION FROM RULE 15c3-3

Board of Governors  
Viking Fund Distributors, LLC  
Minot, North Dakota

In planning and performing our audit of the financial statements and supplemental schedules of Viking Fund Distributors, LLC (the Company) as of and for the year ended December 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Company's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

Also, as required by Rule 17a-5(g)(1) of the Securities and Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company including consideration of control activities for safeguarding securities. This study included tests of such practices and procedures that we considered relevant to the objectives stated in Rule 17a-5(g) in making the periodic computations of aggregate indebtedness (or aggregate debts) and net capital under Rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of Rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

1. Making quarterly securities examinations, counts, verifications, and comparisons and recordation of differences by rule 17a-13.
2. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System.

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial

BRADY, MARTZ & ASSOCIATES, P.C.  
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OTHER OFFICES: Minot and Grand Forks, ND  
Thief River Falls, MN



statements in conformity with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control or the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first and second paragraphs and would not necessarily identify all deficiencies in internal control that might be material weaknesses. We did not identify any deficiencies in internal control and control activities for safeguarding securities that we consider to be material weaknesses, as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate at December 31, 2007, to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the SEC and other regulatory agencies that rely on rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended and should not be used by anyone other than these specified parties.

*Brady, Martz*

BRADY, MARTZ & ASSOCIATES, P.C.  
February 26, 2008